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County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

November 21, 2012

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

IMPROVEMENTS TO COUNTY CONTRACTING PROCESS

The Chief Executive Office has embarked on a countywide contracting process improvement project. The overall goal is to create a contracting process which incorporates best practices, while at the same time ensuring compliance with laws and County policies. This memo briefly summarizes efforts currently underway and planned for FY 2012-13 and 2013-14.

We are working concurrently on several different aspects of contracting improvement to:

- Review the current contracting process to identify where it can be feasibly streamlined;
- Identify "lessons learned" from past audits, solicitations, and contracts;
- Promote departmental use of model solicitation documents (i.e., Request for Proposal (RFP), Request for Statement of Qualifications, sample contracts, correspondence, etc.) and guidance available on the Internal Services Department (ISD) website;
- Develop or obtain well-written solicitation documents, contracts, and language for specific terms and conditions, which can be used as templates for future solicitations and contracts;
- Identify key types of contracts and work with departments to develop contract templates; and
- Identify and develop a contract system which can be integrated into the eCAPS financial system; include key functionality such as drafting solicitations, contracts, scoring proposals, archiving contracts and supporting documentation, workflow, etc.

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Getting Departmental Input – The CEO has established an interdepartmental committee to get department input on the contracting improvement project. The contracting project and creation of this committee were announced at the CEO Department Head meetings in July and November, 2012. So far 12 departments have expressed an interest in participating (Attachment 1). The first meeting was held on October 25, 2012. During the coming months, departments will be asked to participate in sub-committees focused on developing specific contract templates. For the pilot project, this includes departments who have Prop A, social services, and food concession contracts.

Keeping the Board Informed – At the July 19, 2012, Operations Cluster meeting, we gave Board Deputies a high level briefing about the concept for the contracting improvement project and plan to provide quarterly updates. The contracting project was also presented to Board Deputies at the October 25, 2012, Cross-Cluster meeting.

What Steps Have Already Been Completed?

- **Contract Monitoring Dashboard** - The Auditor-Controller (A-C) has implemented a contract monitoring dashboard using data from the eCAPS system. The dashboard provides a quick and easy way for departmental management to monitor contracts by expiration dates, how much money has been spent compared to total projected contract costs, and other pertinent information. The dashboard is a tool that alerts managers of potential areas of concern.
- **Contracting Resources Available to Departments** – ISD has created and maintains an updated website with templates, guidelines, and other types of contracting information which is available for all departments to use at <http://purchasingcontracts.co.la.ca.us/>. Basic contracting classes are also offered periodically to County staff tasked with contracting-related assignments.
- **Contract Process Review** – The County Strategic Plan contracting group formed a task force to map out and review the current RFP/contracting process to identify any unnecessary steps that could streamline the current process (Attachment 2). As a result, the task force identified the protest policy as a focus area that would reduce the time associated with conducting solicitations. A draft of the streamlined protest policy and process is anticipated to be presented at Operations Cluster in December 2012 for Board Deputy review.

- Automating the Contracting Process – Community and Senior Services and the Arts Commission had previously automated portions of their contracting processes. We are reviewing those systems to see what “lessons learned” can be applied to development of a countywide contracting system.
- Software Solution - The A-C has hosted demonstrations of two different “off the shelf” contracting systems which are designed to work with the eCAPS system. Each system has different strengths. A-C and ISD have been meeting with the two vendors to see how their product functionality can be combined to create one system which manages all steps of the contracting process from beginning to end. The vendors have a proposed solution and are developing a project schedule and cost estimates with A-C and the eCAPS Steering Committee. We anticipate that the new system could be piloted in approximately November 2013. The pilot will include Prop A contracts (all departments), social services contracts (Community and Senior Services) and food concession contracts (various departments).
- System Funding - On October 2, 2012, the Board of Supervisors approved \$2.0 million in the Supplemental Budget for the countywide computer system.

Next Steps:

- In December 2012, the County Strategic Plan contracting task force will present proposed revisions to the protest policy and process. The revisions are intended to simplify the current process for both the County and vendors while reducing the solicitation process. Those recommendations will then be provided to the Board for review and a policy decision.
- In December 2012, A-C and the eCAPS Steering Committee will work with the two contracting system vendors to obtain a cost estimate and project schedule for implementation of the new system.
- By February 2013, A-C will review the past several years of RFP and contract-related audit findings to identify “lessons learned” and best practices which can be applied to all departments. These lessons learned and best practices will be reflected in the design of the new computer system, templates, and standardized contract language.
- From December 2012 through June 2013, County Counsel will work with the three interdepartmental subcommittees to develop templates and a library of pre-approved, standardized terms and conditions for Prop A, social services, and

Each Supervisor
November 21, 2012
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food concession contracts. The results of this effort will be loaded into the new computer system for the pilot project.

- From December 2012 through December 2014, the interdepartmental contract committee will:
 - Identify the basic types of contracts commonly used by departments and the priority order for moving these types of contracts into the new computer system.
 - Establish subcommittees to work with County Counsel to develop templates and the library of pre-approved, standardized terms and conditions language for each type of contract (after the work is completed for the three types of contracts in the pilot).

The next quarterly status update on this project will be provided in March 2013. If you have any questions or need additional information, please contact Ellen Sandt of my staff at (213) 974-1186.

WTF:EFS:cg

Attachments

c: Executive Office, Board of Supervisors
 County Counsel
 Auditor-Controller
 Community and Senior Services
 Internal Services

ATTACHMENT I

Interdepartmental Contracting Committee

Chief Executive Office (Chair)

Alternate Public Defender

Arts Commission

Auditor-Controller

Chief Information Office

Children and Family Services

Community and Senior Services

County Counsel

Internal Services Department

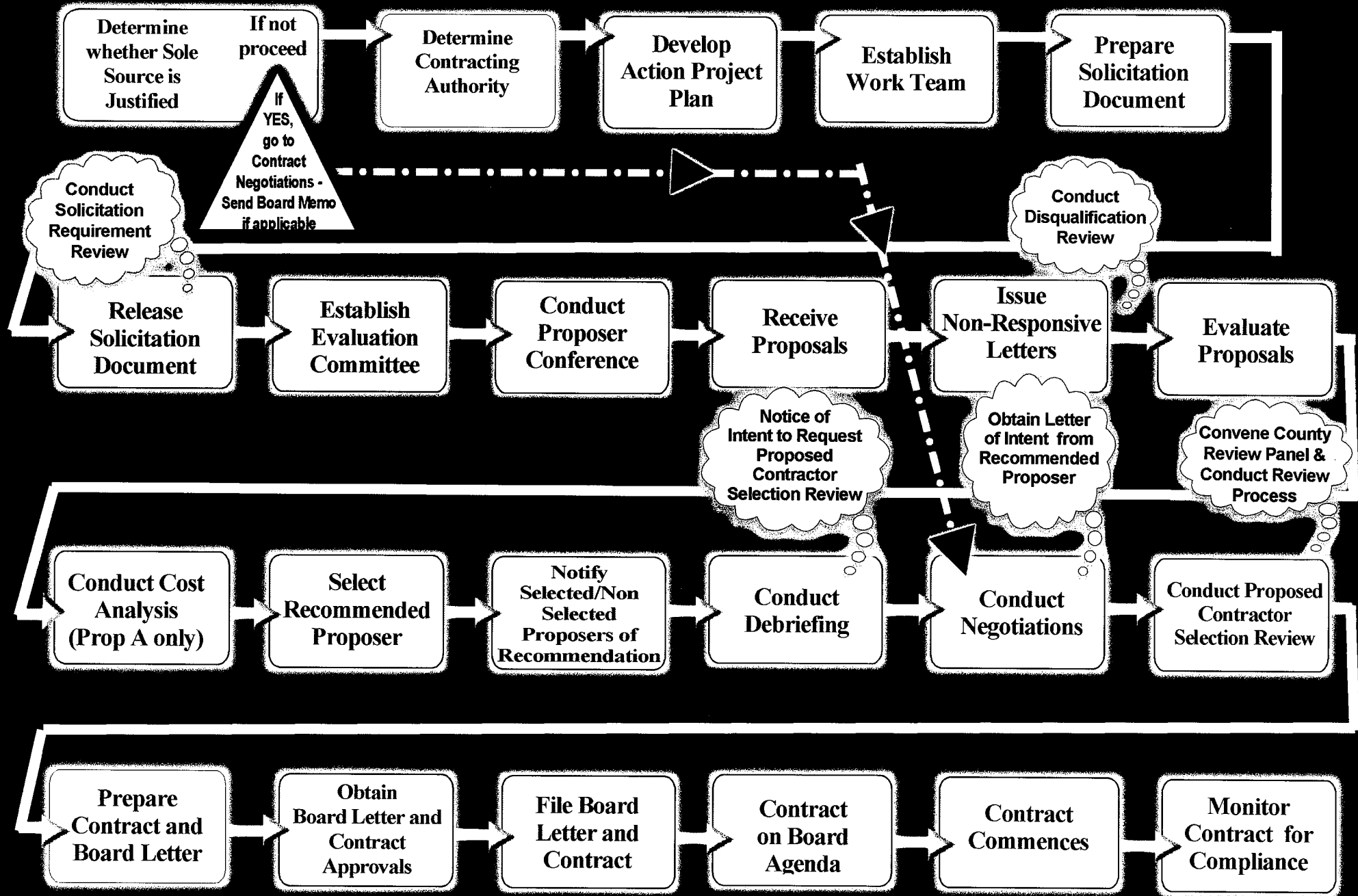
Mental Health

Public Health

Sheriff



CONTRACTING PROCESS WORKFLOW





WILLIAM T FUJIOKA
Chief Executive Officer

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December 17, 2012

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

FOOD SERVICE CONTRACTS (ITEM 11, AGENDA OF OCTOBER 23, 2012)

On October 23, 2012, on motion by Supervisor Ridley-Thomas, the Board instructed the Chief Executive Officer (CEO), County Counsel, and the Directors of Internal Services, Public Health, Health Services, Probation, Community and Senior Services, Children and Family Services, and Parks and Recreation, to:

1. Form a work group to develop a standardized framework for food services contracts that complies with previously adopted Board policies. The CEO shall report back to the Board, in writing, within 60 days with recommendations, the benefits that could accrue from each recommendation, and an implementation timeline.
2. Instruct the CEO and the Directors of the Departments of Health Services, Probation, Community and Senior Services, Children and Family Services, and Parks and Recreation to implement the recommendations from the Auditor-Controller's September 28, 2012 report.

BACKGROUND

Within the County of Los Angeles, departments enter into contracts to provide various types of food related services to constituents such as meals on wheels, dining at congregant centers, food for hospital patients as well as cafeteria services at Health Services hospitals. On September 28, 2012, the Auditor-Controller released an audit of

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food service contracts that highlighted inconsistencies in the contract language, terms and conditions as well as deficiencies in contract monitoring and oversight. In response to the findings, the Board instructed this Office to assemble a workgroup to examine the existing contract language and to develop standardized framework for food services contracts.

In a related initiative, this Office is leading a countywide effort to streamline the contracting system by automating the process into the eCAPS procurement system. On October 2, 2012, your Board approved \$2.0 million in the Supplemental Budget for the countywide computer system. The system would track the lifecycle of a contract from solicitation to award, and close out from a central document repository. Each document will contain contract language, terms and conditions in a template format that will be pre-approved by County Counsel. Sub-committees have been established to review Prop A and social service contracts which were identified as the two initial candidates for streamlining. With the publication of the findings from the food service audit and the resulting instructions by the Board, food service contracts have been added to the initial set of contracts being reviewed. Therefore, the Food Service Workgroup was convened as a subcommittee of the larger contracting effort.

FOOD SERVICE CONTRACT WORKGROUP/CONTRACTING SUBCOMITTEE

In accordance with the Board's instructions, a Food Services Workgroup was established by members of the CEO, County Counsel, Internal Services, Public Health, Health Services, Probation, Community and Senior Services, Children and Family Services, and Parks and Recreation. As stated above, the Workgroup convened as a subcommittee of the larger Countywide Contracting Improvement Project. An initial meeting occurred on November 21, 2012 during which each department discussed their specific contracts requirements in an effort to identify common language and terms that could be used by all departments. It should be noted that each department had contracts that were specialized to their needs. For example, Parks provides food on a strict reimbursement rate that is set by the Federal Government, while Probation paid a negotiated contract rate on food services and Health paid a per meal fee. Each department is now reviewing their existing contracts to identify inconsistencies, problematic language, examples of good contracts and monitoring tools. Follow up meetings will occur to agree on standard terminology for the Food Service Contract template.

STEPS TAKEN TO ADDRESS AUDIT FINDINGS

Each department participating in the Food Service Contract Workgroup also provided the following responses to the audit findings:

Community and Senior Service

- Met with food service contractors on 9/27/12 to advise them of the audit/findings, addressing the program income reporting/monitoring requirements.
- As part of FY 11-12 closeout, CSS will be monitoring contractors' FY 11-12 closeouts (as well as their subcontractors'/caterers' closeouts) to ensure that any program income for FY 11-12 was reported and reprogrammed.
- CSS will be releasing policy to its contractors to clarify their program income reporting requirements, as well as their subcontractors, specifically addressing rebates and discounts. The program memo will address contractors' responsibilities to monitor their subcontractors' program income, also providing guidelines on how the program income should be monitored.
- Adherence to all policy directives is required as part of the Elderly Nutrition Program contracts.

Children and Family Services

- The current Food Services Contract with CulinArt of California, Inc. does not include specific language requiring the contractor to provide documentation to support rate increases, however, appropriate documentation was acquired and retained in the contract files for the recent increase effective August 1, 2012 through July 31, 2015.
- Firmed fixed rates were increased from \$6.47 to \$6.75 to reflect an increase in cost of living and additional services rendered.
- DCFS will incorporate standardized language recommended by the workgroup on documentation requirements.
- DCFS agrees to include recommended language in future food services contracts as appropriate.

Health Service

- Will consider incorporating the standardized contract language developed by the food services contracts work group in future solicitations and contracts.
- Will issue a written request to each food service contractor requesting specific cost savings analyses and repayment, accordingly. DHS will also work with County Counsel to resolve noncompliance issues related to the cost savings analyses.
- Will provide a written reminder to food service contractors of their required compliance with all terms and conditions in their respective contracts and request the required cost savings analyses.

- The current DHS Request for Proposals for patient dietary services includes a per meal unit price and a per unit price for specific items listed under incidental and floor supplies. Since the new contract will not be a cost reimbursement contract, it will not involve sharing of cost savings and rebates.
- Will work with County Counsel to determine the appropriate approach to incorporate rebates, credits and discounts in future cost reimbursement contracts.
- Will ensure future food service contracts include clear and specific language distinguishing patient dietary meal costs from concession cafeteria costs and will notify the Board in the event the Department considers subsidizing cafeteria operations.
- DHS is in the process of restructuring its overall contract monitoring operations, including contract monitoring reporting and oversight responsibilities. DHS has also engaged the Auditor-Controller's Countywide Contract Monitoring Division to assist in the development and presentation of training to all contract monitoring staff involved with contracts. Training is expected to be completed by the end of 2012.

Probation

- Probation will consider incorporation the standardized contract language developed by the food service work group in future solicitations and contracts.
- Will consider sending USDA food to contractor-served facilities to reduce food costs.
- Will work with the CEO and County Counsel to determine the appropriate approach to incorporate rebates and cost savings in future solicitations as well as requiring the County to have access to review the contractor's actual cost to support any price increases.

Parks and Recreation

- Parks is working as an active participant in the Countywide Food Services Contracts work group to develop a framework and standardized language for County food service contracts.
- Parks will incorporate the resulting standardized contract language developed by the work group into future food service solicitations and contracts when feasible and to the extent possible.

NEXT STEPS

Over the next 90 days, this Office and the Food Service Subcommittee will:

- Convene regular meetings of the Food Services Subcommittee to,
 - Evaluate current food services contracts to identify quality best practice contract provisions;
 - Work with County Counsel to finalize a contract template for food services for inclusion in the new centralized contract system.

We will continue to keep your Board informed, and will provide another status report in the larger quarterly report back for the improvements to the Contracting Process Project. If you have any questions, please contact Ellen Sandt at (213) 974-1186.

WTF:EFS:SAW:ef

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 Auditor-Controller
 Children and Family Services
 Community and Senior Services
 Health Services
 Internal Services
 Parks and Recreation
 Probation